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A Finmeccanica Company

PRESS RELEASE

Genoa, 8th November 2006

THE BOARD OF DIRECTORS OF ANSALDO STS APPROVES THIRD QUARTER REPORT AT 30th SEPTEMBER 2006

IN FIRST NINE MONTHS:

- **REVENUES +14%, ORDERS +18,3% AND BACKLOG +10,6%;**
- **NET OF LISTING COSTS (6,8 EURO MLN), AN INCREASE FOR OPERATING RESULT +16,1% AND NET RESULT +15,3%;**

The Board of Directors of Ansaldo STS (STS.MI), chaired by Mr Alessandro Pansa, approved the consolidated third quarter report at 30th September 2006.

In compliance with IAS 27, the Board approved a Report which reflects the impact on performance and the balance sheet of the equity investments in Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari as of 24th February 2006, the date of their acquisition by Ansaldo STS. In order to provide the market with a more accurate comparison with previous quarterly figures, the Report contains pro-forma figures which take into account the impact of these equity investments as of 1st January 2006.

In the first nine months of 2006, based upon pro-forma figures, the Ansaldo STS Group posted, a **net profit** of EUR 25.0 million, which net of listing costs finally amounting to EUR 6.8 million, it is **EUR 31.8 million** compared with EUR 27.6 million over the same period of 2005**, an increase of 15.3%,.**

During the same period, **acquired orders rose by 18.3%,** to EUR 1,079.2 million at 30th September 2006, compared with EUR 912.1 million for the same period of 2005. **The order backlog** totalled EUR 2,491.3 million at 30th September 2006, compared with EUR 2,251.9 million the previous year, **an increase of 10.6%;**

EBIT also rose during the period to EUR 52.7 million, which excluding listing costs, is **EUR 59.7 million** an **increase** of **16.1%** on 2005. The Group's ROS rose from 9% to 9.1%.

The **net financial position** at 30th September 2006 showed a net creditor position of EUR (146.8) million compared with EUR (120.8) million at year-end 2005.

The positive commercial developments during the period, with the acquisition of major orders, and the Group's good profitability enable us to confirm that we expect even better financial performance in 2006 than the good results achieved in 2005.
During the first nine months, Ansaldo STS reported an improvement in its order backlog in both the Signalling and the Transport Systems sectors, with the signing of contracts for the driverless metro of Thessaloniki and for Milan Line 5. This will be accompanied by the upcoming signing, expected within the next few months, of the contract for Line C of the Rome metro, which would improve the Group's backlog even further.

Key figures (EUR m)	Third quarter 2006 (1)	PRO FORMA FIGURES				
		Third Quarter 2005 (2)	% chg.	9 Months 2006	9 Months 2005 (2)	% chg.
Acquired orders	**257.2**	237.7	*8.2%*	**1,079.2**	912.1	*18.3%*
Order backlog	**2.491.3**	2.251.9	*10.6%*	**2,491.3**	2.251.9	*10.6%*
Value of production	**210.2**	200.9	*4.6%*	**655.0**	574.5	*14.0%*
EBIT	**17.3**	17.9	*(3.6%)*	**52.8** **59.7***	51.4	*2.7%* ***16.1%****
ROS	**8.2%**	8.9%	*(0.7%)*	**8.1%** **9.1%***	9.0%	*(0.9%)* ***0.2%****
Net profit	**9.0**	10.6	*(15.4%)*	**25.0** **31.8***	27.6	*(9.7%)* ***15.3%****
Working capital	**(230.1)**	(158.7)	*45.0%*	**(230.1)**	(158.7)	*45.0%*
Net financial position	**(146.8)**	(193.7)	*(24.2)%*	**(146.8)**	(193.7)	*(24.2)%*
R&D	**8.7**	9.1	*(4.7%)*	**28.7**	24.4	*17.6%*
Total staff	**3,913**	3,553	*10.1%*	**3,913**	3,553	*10.1%*
EPS	**0.09**	-	-	**0.25**	-	-

**Net of listing costs (EUR 6.8 million at 30th September 2006);*
(1) 2006 with effect of transfer of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari from 24th February 2006;
(2) The pro-forma figures for 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing;

RESULTS FOR THE FIRST NINE MONTHS OF 2006 (PRO-FORMA FIGURES)

The first nine months of 2006 closed with a **consolidated net profit** of EUR 25.0 million, compared with EUR 27.6 million at 30th September 2005.
For a uniform comparison of the figures for the two periods, it is necessary to take into account the impact of listing costs, net of which the Ansaldo STS Group's net income for the period would be EUR 31.8 million, an **increase of 15.3%** over the same period of 2005 (EUR 27.6 million).

The rise of EUR 4.2 million is attributable to the increase in operating profitability **(EBIT),** which excluding the above listing costs, would have increased by EUR 8.3 million**,** and to greater financial income in the amount of EUR 0.6 million, offset by an increase in income taxes, which at 30th September 2006 amounted to EUR 29.8 million (compared with EUR 25.2 million for the same period of 2005).

The **net financial position** of the Group at 30th September 2006 showed a creditor position of EUR 146.8 million compared with a net creditor position of EUR 120.8 million at 31 December 2005, a rise of EUR 26.0 million.

Free operating cash flow (FOCF) for the period amounted to EUR 99.9 million, substantially in line with the EUR 101.9 million figure reported in the same period of 2005.

The main factors in the change in the Group's cash position were as follows:

- acquisition of equity investments for EUR 100.2 million
- dividend payments to Finmeccanica SpA for EUR 32.0 million
- receipt of funds from capital increase for EUR 10.0 million and payment of EUR 50.2 million in capital contributions
- recovery of VAT credit for EUR 19.2 million
- payment of taxes for EUR 33.8 million

The remainder is attributable to the positive developments in operating cash flow.

At 30th September 2006 **consolidated net invested capital** was a negative EUR 39.9 million, compared with positive invested capital of EUR 38.6 million at 31 December 2005. The difference of EUR 78.4 million is essentially attributable to **working capital**, which stood at EUR (230.1) million at 30th September 2006, compared with EUR (123.6) million at 31 December 2005.
The change is largely due to a decrease in net inventories caused by the growth in invoicing on account, the decrease in trade receivables (increased payments from customers) and the rise in current liabilities in respect of sundry and tax payables.

RESULTS FOR THE THIRD QUARTER OF 2006 (PRO-FORMA FIGURES)

The **value of production** rose by 4.6% compared with the year-earlier period, from EUR 200.9 million to EUR 210.2 million, an increase of EUR 9.3 million.

The ***Signalling Unit*** generated a value of production of EUR 169.8 million (+12% on the EUR 151.1 million of the same period of 2005). The main changes, calculated as the algebraic sum of both the positive and negative components and net of intercompany transactions, were the result of:

- EUR 15.4 million from the Asia/Pacific subsidiaries;
- EUR 2.6 million from the US subsidiary;
- EUR 2.5 million from the French subsidiary;

Transport Systems generated a value of production of EUR 45.4 million (EUR 53.4 million in the same period of 2005) net of intercompany transactions. The increase was produced on the contracts relating to the high-speed rail project, Copenhagen, Metrogenova, Alifana, Line 6 and MetroBrescia.

In the third quarter, **EBIT** amounted to EUR 9.0 million, compared with EUR 10.6 million in the corresponding quarter of 2005. More specifically:

- ***Signalling*** closed the period with operating income of EUR 19.6 million, compared with EUR 15.1 million the same period a year earlier, an increase of EUR 4.6 million).
- ***Transport Systems*** posted operating income of EUR 1.9 million, compared with EUR 2.9 million in the year-earlier period, a decrease of EUR 0.9 million.

Consolidated net profit for the quarter amounted to EUR 9.0 million, compared with EUR 10.6 million at 30th September 2005.

Income taxes for the third quarter came to EUR 8.9 million (EUR 8.1 million at 30th September 2005) and consist of EUR 1.6 million for IRAP (regional business tax), EUR 5.6 million for IRES (corporate income tax), and EUR 1.6 million for taxes paid by foreign subsidiaries and other taxes.

In the third quarter of the year, the Group incurred **R&D costs** of EUR 8.7 million, compared with EUR 9.1 million for the same period of 2005.

The **net financial position** of the Group at 30th September 2006 showed a creditor position of EUR 146.8 million compared with a net creditor position of EUR 193.7 million at 30th September 2005.

Acquired orders in the third quarter amounted to EUR 257.2 million, compared with EUR 237.7 million in the year-earlier period, an increase of EUR 19.5 million, or 8.2%.
The *Signalling Unit* acquired orders worth EUR **177.6** million, while *Transport Systems* acquired orders totalling EUR 83.1 million.

The main orders acquired by the **Signalling Unit** in the third quarter of 2006 involved the following projects:

Country	Project	Customer	Value (EUR m)
Italy	ATC on board – SCMT SSB	Trenitalia	96.7
Australia	ARTC Projects	ARTC	9.2
Bangladesh	Railway 6 stations PBI	Bangladesh Railway	4.4
France	On board equipment adaptation	Thalys	3.5
Various	Components & Services	Various	55.0

Transport Systems acquired an order worth EUR 83.1 million for putting the Piscinola-Capodichino line into service.

The **order backlog** at 30th September 2006 totalled EUR 2,491.3 million, an increase of EUR 239.4 million, or 10.6%, on 30th September 2005 (EUR 2,251.9 million).

The order backlog of the ***Signalling Unit*** at 30th September 2006 came to EUR 1,264.9 million.
Of this backlog, 55% related to the Italian subsidiary Ansaldo Segnalamento Ferroviario, mainly consisting of the SCMT Wayside and On Board Projects, the Interlocking Projects for the Rogoredo, Mestre and Pisa contracts and the high-speed rail project (Novara-Milan and Milan-Bologna lines).

The order backlog of the ***Transport Systems Unit*** at 30th September 2006 amounted to EUR 1,299.5 million (compared with EUR 992.1 million for the same period of 2005) and mainly regarded the following projects:

- High-Speed Rail Italy
- Copenhagen metro
- Concessions for the construction of the metro systems of Naples, Rome and Genoa
- Driverless metros of Brescia and Milan
- Driverless metro of Thessaloniki
- Alifana metro

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Ansaldo STS Group

Consolidated Profit and Loss Account (EUR m)	*Third Quarter 2006*	*PRO FORMA FIGURES (2)*			*At 30/09/06 (1)*
		Third quarter 2005	*At 30/09*		
			2006	*2005*	
Revenues	209,6	203,2	652,0	572,6	533,5
Change in inventories, semi-finished and finished products and goods	0,5	(2,3)	2,9	1,9	3,7
	210,2	**200,9**	**655,0**	**574,5**	**537,2**
Purchasing and staff costs	(189,2)	(178,3)	(591,9)	(514,6)	(480,5)
Depreciation and amortisation	(2,5)	(2,4)	(7,3)	(6,9)	(5,9)
Writedowns	(0,0)	(0,6)	(0,2)	(0,8)	(0,1)
Restructuring costs	-	-	-	-	
Other net operating revenues (costs)	(1,2)	(1,6)	(2,8)	(0,7)	(3,6)
EBIT	**17,3**	**17,9**	**52,8**	**51,4**	**47,1**
Net financial income (expense)	0,6	0,8	1,9	1,4	1,3
Income taxes	(8,9)	(8,1)	(29,8)	(25,2)	(26,1)
NET PROFIT	**9,0**	**10,6**	**25,0**	**27,6**	**(22,3)**
Earnings per share	0,9		0,25		

(1) 2006 with effect of transfer of Ansaldo Signal NV and Ansaldo Trasporti Sistemi Ferroviari from 24 February 2006;
(2) The pro-forma figures for 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing;

CONSOLIDATED FINANCIAL POSITION

Ansaldo STS Group

Consolidated Financial Position (EUR m)	At 30/09/06	*PRO FORMA FIGURES(1)*	
		at 30/09/05	*at 31/12/05*
Non-current assets	233,7	108,6	205,3
Non-current liabilities	43,5	42,8	43,1
	190,2	65,7	162,1
Inventories	91,4	77,2	91,5
Contract work in progress	89,0	110,9	64,8
Trade receivables	268,4	271,8	342,2
Trade payables	161,3	168,0	173,5
Advances from customers	434,5	400,3	406,1
Provisions for short-term risks and charges	26,2	13,1	19,8
Other current net assets (liabilities)	(56,9)	(37,1)	(22,6)
Net working capital	(230,1)	(158,7)	(123,6)
Net invested capital	(39,9)	(92,9)	38,6
Group shareholders' equity	106,6	100,5	159,0
Minority interests	0,4	0,3	0,4
Shareholders' equity	**107,0**	**100,8**	**159,3**
Net debtor (creditor) position	**(146,8)**	**(193,7)**	**(120,8)**

(1) The pro-forma figures for 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing.

CASH FLOW (PRO-FORMA FIGURES)

Ansaldo STS Group

Cash Flow (EUR m)	*PRO FORMA FIGURES Comparison 2006 / 2005*					
	at 30/09/06		*at 30/09/05*		*at 31/12/05*	
Cash and cash equivalents-opening balance	36,0		44,3		44,3	
Gross cash flow from operating activities	57,6		74,0		102,9	
Change in working capital	79,9		52,9		18,4	
Change in other operating assets and liabilities, taxes and interest	(20,4)		(10,5)		(15,4)	
Cash flow generated (used) by operating activities	117,2		116,4		105,9	
Cash flow from ordinary investments	(17,3)		(14,5)		(107,6)	
Free operating cash flow		**99,9**		**101,9**		**(1,7)**
Strategic investments	(54,8)		-		-	
Cash flow generated (used) by investment activities	(72,1)		(14,5)		(107,6)	
Dividends paid	(32,0)		-		-	
Cash flow from financing activities	(5,9)		(99,7)		(6,2)	
Cash flow generated (used) by financing activities	(37,9)		(99,7)		(6,2)	
Translation difference	0,2		(0,4)		(0,4)	
Cash and cash equivalents-closing balance	**43,4**		**46,1**		**36,0**	

RESULTS BY BUSINESS SEGMENT (PRO-FORMA FIGURES)

(EUR m)	SIGNALLING					TRANSPORT SYSTEMS				
	3rd Quarter 2006	3rd Quarter 2005	At 30/09/06	At 30/09/05	At 31/12/05	3rd Quarter 2006	3rd Quarter 2005	At 30/09/06	At 30/09/05	At 31/12/05
Acquired orders	177.6	235.9	576.8	729.4	796.5	83.1	2.9	508.3	203.0	240.1
Order backlog	1,264.9	1,346.5	1,264.9	1,346.5	1,223.4	1,299.5	992.1	1,299.5	992.1	950.1
Value of production	169.8	151.1	502.0	419.2	613.3	45.4	53.4	161.7	167.9	252.7
EBIT	19.6	15.1	51.9	37.5	63.9	1.9	2.9	14.1	14.0	18.4
EBIT margin	11.6%	10.0%	10.3%	8.9%	10.4%	4.2%	5.3%	8.7%	8.3%	7.3%
Working capital	(62.8)	(23.7)	(62.8)	(23.7)	(7.9)	(165.3)	(135.0)	(165.3)	(135.0)	(133.7)
Net invested capital	9.0	44.3	9.0	44.3	64.3	(127.2)	(126.4)	(127.2)	(126.4)	(126.0)
R&D	8.2	9.1	27.3	23.3	33.3	0.4	0.3	1.2	1.1	1.4
Total staff	3,556	3,238	3,556	3,238	3,304	328	315	328	315	318

Notes to the table
The values reported in the table include transactions between segments.
The figures for 2005 were drawn from the aggregate financial statements prepared at the time of the stock market listing

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Ansaldo STS confirms *that on 8 November at* ***3:00 p.m.*** *it will be available to discuss the results for the third quarter of the year, via conference call.*

To participate ***via conference call****:*
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For the ***replay of the conference call****, in the 72 hours after the event, with access code 925#*
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Ansaldo STS S.p.A., listed on Borsa Italiana since 29 March 2006 (ticker: STS), is the parent of a group of companies operating in the rail and metro transport systems sector. Ansaldo STS controls Ansaldo Signal N.V., a Dutch company that is the parent of a group operating in the rail and metro signalling sector, and Ansaldo Trasporti-Sistemi Ferroviari S.p.A., an Italian systems/technology integration company that operates in the “turnkey” rail and metro transport systems sector. Ansaldo STS, which is headquartered in Genoa, is present in 18 countries and has about 3,600 employees. In 2005 the company posted revenues of EUR 840 million with a gross operating margin of EUR 89 million and a net profit of EUR 44 million.